Gentrification’s Third Way: An Analysis of Housing Policy & Gentrification in Providence

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I. INTRODUCTION

This article examines gentrification in the national housing market and, more specifically, in Providence, Rhode Island and the recent development debate in Providence’s poorest neighborhood, Olneyville. While both national and local commentators have disagreed on the benefits and disadvantages of gentrification, this phenomenon has been underway in Olneyville for almost a decade. Recent developments in Olneyville may illustrate how to mitigate the harmful effects of gentrification for urban neighborhoods whose residents are seeking economic rebirth after the devastation of the foreclosure crisis. Housing policies that target the redevelopment of former industrial buildings, in concert with development tax incentives, targeted rent control, and inclusionary zoning initiatives have the potential to increase the economic, social, and political capital in America’s poorest neighborhoods, reduce absentee landlordism, increase meaningful home-ownership opportunities, diminish displacement of neighborhood residents, and build multiracial and mixed-income neighborhoods.

II. DECLINE AND REBIRTH: HOUSING’S CENTRAL ROLE IN THE HISTORY OF AMERICA’S CITIES

The American housing market mirrors the myriad economic, social, and racial problems plaguing the nation.1 From the eighteenth through the mid-twentieth century, government-sanctioned segregation policies in both the public and private sectors created neighborhoods defined by skin color.2 The

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2 See Deborah Kenn, Institutionalized, Legal Racism: Housing Segregation and Beyond, 11 B.U. Pub. Int. L.J. 35, 39 (2001) (“By the 1930s, through deliberate and state-sanctioned acts of racial zoning, restrictive covenants, and public works projects, the segregation of blacks in inner city neighborhoods was becoming the norm.”).
growth of the automobile and the birth of American highways furthered physical divisions and lines of segregation, compounding the advantages of white Americans who had access to capital, land, and credit. In essence, developments in transportation facilitated white flight from the “inner city” to the sprawling expanse of the suburbs. Professor Nancy Denton writes:

A host of private, public, and governmental actors deliberately created residential segregation. The real estate industry, banks, appraisers, and insurance agents translated private prejudice into public action ultimately sanctioned by the federal government in Federal Housing Administration (FHA) loan policies and the federal highway program. As a result, the post-World War II suburban growth was for whites; blacks remained in the cities.

The abandonment of cities had a disastrous effect on those left behind. With increasing housing demand created by a huge surge of African Americans coming to the North, landlords were able to charge high rents for dilapidated housing units sold after the white flight to the suburbs. For new African American renters and homeowners, the monetary benefits of the Federal Housing Administration (FHA), such as access to credit and capital for home improvements, dried up as the FHA benefit programs focused on the white population moving into the suburbs. In addition, a lack of urban political strength ensured that new public housing projects were built in poor areas, thus further consolidating impoverished citizens into the centers of American cities. The disappearance of wealth from the cities also impacted the quality of public education, as local school funding is intricately intertwined with property taxes and local housing values. Further, local businesses—already crippled by anti-urban discrimination from banks and insurance companies—fled city neighborhoods and followed consumer wealth to the suburbs, rendering both jobs and products inaccessible to city residents. A bleak cycle developed: local conditions created an environment in which education and good jobs were largely unavailable, and a wall

4 Id. at 49.
7 See Aoki, supra note 1, at 751–52.
12 Id. at 78, 91.
of social and economic isolation prevented residents from improving their living conditions.  

Gentrification—the flip-side of this deterioration—produces an upward trend in property values in previously neglected neighborhoods. Gentrification is a connotation-laden term, “conjur[ing] up images of yuppies stealing urban housing from rightful inhabitants.” It describes the economic, social, and political changes that accompany reinvestment in low-income, urban communities.

The process begins when a few “risk-oblivious pioneers”—often political radicals, artists, and students—move into a neighborhood. While these “pioneers” can usually afford to live in higher-income neighborhoods, they choose not to for various reasons including a desire to seek the bohemian lifestyle of artists and other creative workers. As these residents settle in, the once-neglected neighborhoods become hip, new destinations for young professionals known in the dialogue of gentrification as the “risk-aware” or the “fixer-uppers.” The “fixer-uppers” put sweat equity into their homes and use political connections to make zoning adjustments and win better terms on bank loans. The “risk-aware” develop relationships with the local police quickly and are likely to start or join local neighborhood associations. Once this group grows to a critical mass, the local media begins talking about the “neighborhood transformation” that is taking place. At this point, businesses tend to move in to serve the “risk averse.” These are residents who wait for social institutions like coffee shops, restaurants, and neighborhood groups to be established and to solidify a cultural safety net before moving in to the “transformed” neighborhood.

Supporters of gentrification assert that the process serves to break down the concentrations of poverty that are most responsible for urban problems. They espouse a “trickle-down” theory based in the assumption that a rising tide lifts all boats. “Gentrification rebalances a concentration of poverty by providing the tax base, rub-off work ethic, and political effectiveness of a

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20 Id. at 105.
middle class,” one defender writes, “and in the process improves the quality of life for all of a community’s residents.” Critics assert that gentrification harms neighborhood residents directly through displacement and indirectly by pricing them out of the market. Because many low-income residents are renters, they find few opportunities to build an equity stake in their housing. A rising demand for housing means higher rents; as low-income residents become unable to pay these higher rents, landlords will increasingly evict them. Additionally, critics identify gentrification not only as a market force, but also as a divisive social force—often along racial and ethnic lines. While the earliest gentrifiers may embrace community diversity, later waves frequently pursue policies that marginalize low-income residents and drive out established communities of color. In other words, the white residents who once fled America’s cities now return to gentrify them, bringing harmful effects.

III. The Providence Experience

While passionate theorists and activists line up on both sides of the gentrification debate, little attention has been paid to the creation of urban housing policies that attract direct investment while avoiding the harmful side effects of gentrification. Is it possible for a city to experience gentrification without its detrimental byproducts? Can a city stimulate economic investment in its poorest neighborhood without displacing the neighborhood’s current residents? The experience of the poorest neighborhood in the city of Providence, Rhode Island suggests that the answers are a resounding yes.

A bastion of American industry, Providence was home to the country’s largest manufacturers in the first half of the twentieth century: the biggest textile manufacturer (Fruit of the Loom), the largest precision-tool factory (Brown & Sharpe), the largest file factory (Nicholson File), the largest steam-engine factory (Corliss), the largest silverware factory (Gorham), and

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23 Duany, supra note 15, at 37.
24 Id. at 38.
28 See id. at 438–39.
29 See id. at 437.
the largest screw factory (American Screw). The industrial boom produced a growing middle class. These middle class workers eventually began to pursue new, white-collar jobs as lawyers, doctors, real estate and insurance agents, clerks, government employees, teachers, and salesmen. However, the Great Depression hit urban, industrial Providence harder than other parts of the country. Many factories shut their doors and moved south in search of a cheaper, non-unionized workforce.

In the post-war economy, the traditionally white immigrant workforce drained out of Providence and moved into planned neighborhoods such as Cranston’s Garden City. The largest planned suburban community in 1950s Rhode Island, Garden City, was inhabited mainly by young former soldiers using low-cost government home loans for veterans. Other suburban communities in Rhode Island blossomed as well. During the 1950s, the town of Barrington’s population, for example, nearly doubled. Meanwhile, the city of Providence was hit by the growth of organized crime. According to the head of the state police, the streets of Providence had turned into “a jungle” littered with “bookie parlors, rampant shootings, and brassy nightclubs.” New England mafia boss Raymond Patriarca ruled a vast criminal enterprise from his Coin-o-Matic storefront on Atwells Avenue for decades.

Throughout these times, Providence remained deeply segregated. Current Providence NAACP President Cliff Monteiro recalls:

You stayed in your community. . . . As a kid you knew which candy stores it was OK to go into. You knew where the cops would chase you, and where they wouldn’t. We knew Doyle Avenue was a white street—that black people wouldn’t be allowed to rent an apartment on Doyle Avenue.

Segregation also affected economic mobility. The only jobs available to African Americans in Providence were as porters on the railroad, maids in wealthy East Side houses, bellhops at downtown hotels, and in service posts at the Outlet, the only downtown department store that hired racial minorities. Few African Americans could generate the credit rating to get a mort-

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34 Zachary Block, The Rhode Island Century—Upbeatsdownbeat—Boom Town, PROVIDENCE J.-BULL., July 26, 1999, at 1C.
35 STANTON, supra note 30, at 9.
38 Id.
gage unless an influential white person intervened on their behalf.\textsuperscript{39} While there were prominent African-American neighborhoods, such as Lippitt Hill, the population in the City of Providence stayed nearly 90\% white until 1970.\textsuperscript{40} While other cities saw a dramatic white flight during these years, the rates of flight in Providence were slowed by organized crime’s hold on the local economy,\textsuperscript{41} the continued presence of working-class Italian-Americans in Providence’s neighborhoods of Silver Lake and Federal Hill, and the strength of the local political machines.\textsuperscript{42}

Urban renewal programs in the 1960s only exacerbated racial segregation and inequality. The construction or rerouting of interstate highways such as I-95, Route 6, and Route 10 divided the traditionally wealthy East Side and downtown from the rest of the city, and split the city’s dense neighborhoods in the Southside and West End. Provoking charges of racism, the traditionally African-American East Side neighborhood of Lippitt Hill was razed and replaced by the University Heights shopping mall.\textsuperscript{43} To make matters worse, when displaced residents tried to rent apartments elsewhere, they found few landlords willing to rent to them.\textsuperscript{44} In fact, a proposed bill preventing housing discrimination languished in the Rhode Island General Assembly for nearly a decade; it was only after 2,000 people marched from City Hall to the State House—a rally coordinated with the culmination of Dr. Martin Luther King, Jr.’s historic 50-mile march from Selma-to-Montgomery—that Rhode Island finally passed one of the nation’s strongest housing bills on April 12, 1965.\textsuperscript{45} The bill was amended in 1968 after Dr. King was assassinated.\textsuperscript{46} NAACP President Monteiro recalls:

> When King died and John Chafee was governor, I went in to see him and asked for a fair-housing bill. I thought if we took down the barriers of racism in housing and voting, all the doors would open up. I honestly and truly didn’t realize how entrenched racism was. If I had to do it over, I’d say, “First, Governor . . . we need 2,000 jobs for black people. And we need a job-training program for black people, and we want a shot at state and city jobs.”\textsuperscript{47}

Lippitt Hill was not the only African-American neighborhood targeted for “urban renewal” in Providence. Benefit Street on College Hill, a middle-class, mixed neighborhood of African Americans and Jews, faced intense pressure and scare tactics from local white realtors aiming to facilitate ex-
pansion by Brown University and the Rhode Island School of Design (RISD). 48

Virginia Williams recalled the developer Roger Brassard banging on homeowners’ doors and yelling over their fences to get them to sell their homes in the name of neighborhood restoration. Others chimed in that they remembered being badgered or hearing tales of other blacks being badgered by Brassard to sell their homes. People who rented houses or apartments were duped into believing that if they agreed to move out, they could return after the renovation effort was completed, but those promises were never fulfilled. 49

Recalling the cumulative effect of private pressure and public policy, Monteiro states, succinctly, that “everywhere black people lived, the City of Providence redeveloped.”50

White flight coincided with the growth of new immigrant populations in the city. Immigrants from the Dominican Republic, Cambodia, Haiti, and West Africa settled in Providence’s neighborhoods as Italian, Irish and Portuguese immigrants moved out. In the thirty-year span from 1968 to 1999, Providence’s school population went from 77% white to 19% white.51 For a time, these new immigrant groups had access to capital to purchase and renovate homes through innovative homeownership programs at Rhode Island Housing, a quasi-public agency administering federal housing funds.52

While the rest of America battled high interest rates in the wake of the OPEC oil crisis, Rhode Islanders had access to lower interest loans for buying their American Dream.53 But soon enough, the state’s savings and loan crisis led to the forcible closing of over 40 banks and credit unions and led to a loss of savings and a decline in available credit for over three hundred thousand Rhode Islanders—a third of the state’s population.54

The combination of the displacement of African Americans and the credit crisis facing new immigrants left many of Providence’s neighborhoods vulnerable. Housing investors transformed large triple-decker houses that had once been occupied by extended families into more profitable units designed for renters.55 Home ownership rates fell.56 Neighborhoods were fur-

48 Karen Davis, Reunion on College Hill, PROVIDENCE J.-BULL., Sept. 9, 1999, at 1C.
49 Id.
50 Id.
52 Scott MacKay & Jody McPhillips, High-Fliers Fell Hard When the State’s Boom Went Bust in the ’80s, PROVIDENCE J.-BULL., Oct. 31, 1999, at 1K.
53 Id.
54 Id.
ther destabilized by the crack and cocaine epidemic during the 1980s; in the five years between 1978 and 1983, the percentage of drug arrests involving cocaine increased from 2% to 18.5%. Many factors—including the war on drugs and the use of racial profiling—contributed to the fact that one out of every thirty African Americans in Rhode Island in 2002 was either in prison or awaiting trial. The spiral of deterioration had reached its lowest point.

IV. THE GENTRIFICATION DEBATE BEGINS

The neighborhood of Olneyville is a prime example of the spiral of deterioration described in the previous section. By 2000, the median household income in Olneyville was $17,538. Over 41% of the neighborhood residents lived below the federal poverty line. Of the neighborhood’s 2,644 housing units, only 18.2% were owner-occupied. Of these, 63% of the owners were white, even though 55.1% of the neighborhood was non-white (showing that what little capital was left in the neighborhood was still largely in the hands of white residents). Over 20% of Olneyville’s children under the age of six were found to have high levels of toxic lead poisoning in their blood, a result that is correlated with high rates of absentee landlordism.

Then the gentrification process began. Once the heart of Providence’s industrial core, Olneyville’s mills and industrial buildings became the living and working spaces for art and music collaboratives between 1995 and 2001. These “risk-oblivious” pioneers, many of them recent RISD and Brown graduates, joined with local activists and bohemians to create an edgy and popular underground art and music scene that drew people from throughout the Northeast. The presence of a flood of young white people stimulated investments in neighborhood coffee shops, music and video stores, and local bars and restaurants. By 2002, within a one-square mile

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60 Id.
61 Id.
62 See id.
63 Id.
64 See Mackie v. State, 936 A.2d 588, 597-98 (R.I. 2007) (finding the legislature had a rational basis to conclude landlords living on the premises would be more likely to remedy lead hazards based on studies that display higher levels of lead poisoning in absentee landlord buildings).
65 The most famous collaborative space is Fort Thunder in Eagle Square. See Roberta Smith, Looking for Graphic Lightning From Fort Thunder, N.Y. TIMES, Dec. 16, 2006, at B9.
area, coffee was available at White Electric, lunch could be had at Julian’s restaurant, and a night of drinking could be undertaken at Decatur Lounge.

In 2001, a prominent development company moved to tear down a cluster of sixteen industrial buildings in Eagle Square that were home to over a hundred artists. The fact that the developers sought to build a plaza anchored by a “big box” grocery store incensed the artist community. The artists teamed up with wealthy and politically-connected preservationist groups in an effort to save the buildings. Unfortunately, the end result was that the buildings were “preserved” by the arrival of various retail stores like Shaw’s and Staples, and the artists were left homeless.

One of the activist-artists was the daughter of C. William “Bill” Struever, a principal in the large Baltimore development company, Struever Bros. Eccles & Rouse (SBER), which focused on community development and mill revitalization. After hearing about the controversy brewing in Olneyville, the elder Struever came to Providence and recognized the possibility of using state and federal tax credits to renovate older mill and industrial buildings and provide living quarters for young, “risk-oblivious” artists like his daughter.66 Struever was not just tilting at windmills, his company had just successfully redeveloped the Inner Harbor and Fell’s Point in Baltimore, and he had had won rave reviews for being an innovative developer, utilizing local and federal tax credits to renovate abandoned industrial buildings.67

SBER’s first project at Rising Sun Mills in Olneyville was announced in 2003: a $45 million historic mill renovation that would create “city loft living,” utilizing city, state, and federal tax breaks.68 Local artists and neighborhood activists were skeptical of another out-of-town developer promising neighborhood revitalization. A local community and labor coalition named “RI Jobs with Justice” — led by the author of this article69 — organized the first-ever public City Council hearing to be held in the neighborhood affected by the Council’s decision. More than three hundred neighbors turned out to protest the city granting the developer a tax break without guaranteeing local hiring, the use of local contractors, and investment in affordable housing.70 The activism did not stop the project, but it did create new city standards pertaining to local hiring, the use of minority and women contractors, and the creation of a city-wide affordable housing trust fund.71


68 Smith, supra note 66.

69 The author was the director of RI Jobs with Justice from 2000 to 2004. The local coalition, started in 1996, began this “Providence WORKS” campaign in order to ensure that public dollars being used to catalyze development in Olneyville would require developers to re-invest those dollars in the neighborhood.


The confrontations over Eagle Square and Rising Sun Mills were only the beginning of the gentrification wars in Olneyville. SBER’s next project, “ALCO,” a $350 million development stretching from Providence’s downtown to the Rising Sun Mills project in Olneyville, was the next target for neighborhood activism. As SBER attempted to assuage the activists’ anger, a damning video was released on the Internet showing a Rising Sun Mills leasing agent discussing the benefits of gentrification:

There isn’t a neighborhood here. . . . [T]his is the ghetto, this is a bad neighborhood. . . . You know, we’ve bought out pretty much everything that we can buy—so—in two years, five years, we’ll pretty much have made this a really cool neighborhood to live in.72

Activists had pointed to the mostly white residents in the Rising Sun Mills building, and to a recent installation of a unit of the city’s police department there, as proof of the developers’ desire to displace current residents. Taken together, these developments were seen by the activists as proof of the developers’ intention to reshape Olneyville around a “risk-aware” population of young professionals who hold secure jobs but want a bohemian lifestyle and a home that looks “rough and edgy.”73 The activists concluded that the goal of the SBER developments was to bring the “risk-averse” population, including doctors, lawyers, and university professors, into Olneyville within the next two to five years.74

Soon thereafter, the gentrification debate escalated. Artists glued screen prints that criticized SBER throughout Providence.75 The Olneyville Neighborhood Association sent a letter to the United Way of Rhode Island encouraging them to halt their plans to move into a SBER building.76 The activists voiced their concern in strong, sometimes hyperbolic language, writing: “[y]ou may be less familiar with the economic attacks on our community in recent years by wealthy private development companies, which through countless hours of discussion and analysis, our community can only describe as a colonial invasion.”77 The neighborhood group pointed out the likely effects of gentrification on community residents:

Through ventures like Rising Sun Mills and ALCO, SBER has forced a massive shift in the property values in the neighborhood, a move that will fuel further displacement. Already, sale prices for

73 Duany, supra note 15, at 362.
74 Id.
77 Id.
single family homes have risen 225% in just three years, and the upcoming property tax revaluation is expected to send taxes skyrocketing, creating further pressure on low income homeowners, renters, and small businesses alike. Unfortunately, residents do not receive the tax breaks that rich companies like Struever [sic] get from City Hall, and the result will be more foreclosures, more evictions, and more abandoned housing or displacement by wealthy white professionals.78

In response, the statewide newspaper, the Providence Journal, editorialized in favor of the development and ridiculed the claims of the neighborhood group:

The association claims that its concern is for “gentrification”—its term for an influx of residents and businesses with money to spend and jobs to create. . . . A better neighborhood can mean rent hikes or even evictions for poor residents and small firms when rising property values increase taxes on landlords.

Of course, those rising property values and tax revenues also mean more money for municipal services, many of which are for poor people. . . . Improvement of a community can sometimes mean a diminution of the power of local activists who have done well in depressed neighborhoods. Is the flap over the United Way about some people trying to retain local power more than about anything else? . . .

Let’s hope that the absurdity of the Olneyville Neighborhood Association’s fatwa against Rhode Island’s largest charitable organization will become clearer, and in so doing bring people to their senses.79

This was not the first time that the mainstream media in Rhode Island weighed in so strongly in the gentrification debate. A review of the Providence Journal’s articles and editorials between 2002 and 2007 reveals over 195 news reports about SBER. The overwhelming majority of the news reports were positive pieces about SBER’s “neighborhood revitalization” efforts and its substantial contributions to development in Providence.80 Additionally, the Providence Journal wrote no fewer than nine editorials that supported SBER’s developments.81 Interestingly, the newspaper even

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78 Id.
81 Editorial, Hands Joined in Olneyville, PROVIDENCE J.-BULL., Apr. 12, 2007, at B4; Editorial, Olneyville vs. Olneyville, PROVIDENCE J.-BULL., Mar. 21, 2007, at B4; Editorial,
featured the following quote from SBER principal Bill Struever in their “Sunday Quotes of the Week”: “We want to make Providence the coolest place in the world.”82 The Providence Journal seemed to be doing its very best to convince the public of the neighborhood’s successful transformation.83

In 2004, the tide turned in the gentrification debate, as SBER began engaging community institutions.84 A 2007 SBER report entitled Corporate Citizenship and Social Responsibility in Rhode Island documented more than $2.25 million in direct contributions and in-kind donations made by SBER to benefit the Olneyville neighborhood.85 While critics rightly pointed out that SBER’s community service was mostly self-serving—donating space for a community police station and cleaning up the neighborhood park and river—SBER also made significant investments in the local elementary school and entered into an agreement to provide $300,000 for a local job training program and a local non-profit housing developer.86

V. A FALSE DICHTOMY IN THE GENTRIFICATION DEBATE

In the hopes of further understanding the process of gentrification in Olneyville, I went door to door in August 2007 to talk with neighborhood residents, community leaders and business owners.87 Contrary to my expectations, community residents did not line up on either side of the gentrification debate. While there were mild criticisms of gentrification’s effects—higher taxes and increased traffic—most residents largely saw the new developments as benefiting the Olneyville community.
In speaking with forty-five local residents at their front doors, the overwhelming response was that the recent redevelopments had had a positive effect on the quality of life in the neighborhood. Residents associated the neighborhood’s getting “cleaned up”—a decrease in drugs, prostitution, and crime—with the SBER developments. However, worsening traffic, increasing taxes, and the closing of a neighborhood grocery store were also blamed on development. Further, while a large number of people viewed the anti-gentrification Olneyville Neighborhood Association as a community leader, only a handful of respondents actually reiterated the Association’s argument that SBER developments were a detriment to the community.

A great majority of respondents simultaneously viewed SBER developments as positive for the neighborhood and the anti-gentrification neighborhood group as a community leader. Fewer than 10% of the respondents had even heard the term “gentrification.” A local business leader pointed out this interesting phenomenon:

[T]he only losers may be the local community leaders and poverty advocates who fear their constituency is being diluted. The evidence: it is the leaders who complain of gentrification. [It is] rarely the residents themselves, who know they have much to gain.88

Indeed, interviews with Olneyville community leaders revealed that gentrification was one of their top concerns. A local housing activist said that gentrification was driving housing prices up, but added this caveat: “the dramatic price escalation in the residential core of the neighborhood is not particularly related to SBER’s work, but more a function of the Boston housing market forcing investors and speculators to neighborhoods like Olneyville.”89

In a conversation with local artists and activists, one said, “SBER has created social division in the community. They have created a threat of losing one’s home, not being able to afford to live here because of property tax increases. We have been disrespected by the transplantation of a giant yuppie pod descended from outer space.”90

In response to my question about SBER’s community service work, one artist responded that the community service “seems to be self-serving: fixing their street, cops on their property, or bribes for shutting up criticism—blood money. Their improvements are an appeal to their constituents and completely disregard the needs [and] culture that has existed in the neighborhood.”91

A local immigrant rights organizer also cited SBER as responsible for increasing taxes. He was worried about increasing foreclosures in the neigh-

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88 Interview with Anonymous Business Leader (Aug. 9, 2007) (on file with the author).
89 Interview with Anonymous Housing Activist (Aug. 22, 2007) (on file with the author).
90 Interview with Anonymous Artist I (Aug. 16, 2007) (on file with the author).
91 Interview with Anonymous Artist II (Aug. 16, 2007) (on file with the author).
Finally, one non-profit leader leveled a criticism at SBER’s self-serving community efforts. “The SBER donations? I call it low-hanging fruit meant to distract us. It’s not a benefit to offer a substation for the police when it offers security to their building. The bike path is not as much an amenity for city residents when it’s a selling point for your development.”

Meanwhile, no gentrification critics could point to any specific instances of housing displacement. One city planning official testified that no known resident displacement had occurred. He did say, however, that several of the businesses located in the old factory buildings were displaced and that they should be given substantial municipal assistance. Further, many community leaders acknowledged that it was likely that the national housing boom, and not the SBER developments, was the greatest factor in escalating housing prices and the rise in related taxes throughout Providence.

Thus, while the community largely celebrated the SBER development, community leaders and the mainstream media nonetheless waged an intense debate about the merits or harmful effects of gentrification. This discrepancy may point to an innovative “third way” to solve the false dichotomy between “the developers” and “the community” in the gentrification debate.

VI. Gentrification’s Third Way

The rarest of possibilities seems to have emerged in Olneyville. A city has stumbled upon the appropriate policy initiatives to attract direct investment and other forms of social and political capital while preventing the harmful effects of dislocation and social division. These policy initiatives could very well provide a guiding light for many American cities currently crippled by foreclosures, abandoned industrial buildings, and a lack of urban investment.

SBER developments mitigate the worst aspect of gentrification—displacement—because their renovations of mills and industrial buildings do not have the same impact on local housing markets as other gentrification processes. In traditional models of gentrification, low-income homeowners are displaced by wealthier home buyers, and low-income renters are dis-
placed by new landlords and higher-paying tenants. These models assume that there is a frozen supply of housing stock that creates a zero-sum game where one community moves in while the other community moves out. In Olneyville, however, the SBER developments are creating over five hundred new housing units. The pressure on existing housing stock has therefore been relieved. Further, these developments are bringing in political, economic, and social capital to Olneyville while local residents have been able to remain in the neighborhood and experience the positive results. Indeed, in attempting to create a mixed-income, multiracial neighborhood, the most likely beneficiary may be Olneyville’s youth. Increased material capital for local schools and social capital in the neighborhood will not only improve local education, but will also increase the number and type of role models to which young people are exposed outside the home.

On the other hand, while immediate displacement seems unlikely due to the SBER developments, the high rates of absentee landlordism in the neighborhood might cause a slow-bleed of displacement as absentee landlords take advantage of the rising rents brought on by the neighborhood’s new image.

In response, the city government could implement two policies to prevent long-term displacement of community residents and to encourage greater neighborhood stability. First, the city could implement a rent control program affecting absentee landlords in the Olneyville neighborhood. The goal of a rent control program that only targets absentee landlords would be to remove the financial incentives presently promoting their absenteeism. Such a program would encourage the sale of houses to current residents or resident landlords. There is strong evidence that, as one scholar of gentrification argues, “owner-occupants are better maintainers of single-family homes than are absentee-owners, even when controlling for differences in occupants, structure type and age, and surrounding neighborhood.” Thus, increasing the number of owner-occupied housing units in Olneyville would serve many important purposes. It would increase homeowner investment in

98 Abandoned industrial buildings are prominent throughout the Northeast and Midwest. They are prime locations for experimentation with these policy initiatives.
100 For a discussion of the pitfalls of absentee landlords—owners that do not live in the buildings they rent—and the benefits of home ownership in a neighborhood, see Elorza supra note 97, at 16-21.
101 The Providence City Council should be careful to enunciate a “rational basis” for this type of rent control legislation so as to prevent an equal protection challenge from affected landlords.
102 See Elorza, supra note 97, at 26 (discussing the details of a rent control scheme targeting absentee landlords).
local politics, schools, and infrastructure; decrease neighborhood crime; and increase homeowner equity and wealth-creation as housing prices increase.

The following is a typical scenario for an absentee landlord who owns a three-family home in Olneyville. The landlord has a monthly mortgage payment of $1,600 and brings in a monthly revenue of $2,400 based on rents of $800 for each unit. This is a monthly profit of $800 and an annual profit of nearly $10,000. However, if rent control legislation limited an absentee landlord to collecting an amount tied to an indicator of the area’s medium income, perhaps $600 from each apartment, the landlord’s monthly profit would be reduced to $200 and the annual profit to only $2,400. The financial incentive of the absentee landlord would thus be significantly reduced and he might choose either to live in the house to avoid the parameters of the legislation or to sell the house and look for a better investment elsewhere.104

Since many low-income residents in Olneyville will not be able to purchase homes from these absentee landlords, the city’s nascent inclusionary zoning program should be amended to subsidize these purchases. The inclusionary zoning program, which resulted from community pressure on the Rising Sun Mills project in 2003, links incentives for developers to the production of affordable housing. In Olneyville, the city gave SBER a property tax stabilization and, in exchange, SBER was required to contribute to a newly-created Housing Trust Fund and to dedicate $300,000 toward the purchase of affordable housing for the neighborhood community development corporation.105 A portion of the Fund was to be dedicated to low- and moderate-income Olneyville renters who want to buy houses in their neighborhood and need significant mortgage assistance. There is tremendous interest in programs such as these. According to a local non-profit housing developer, over two hundred community residents have already signed up for affordable housing ownership program benefits.106

In concert, these two programs could decrease the 82% rate of absentee landlordism in Olneyville, increase the rates of homeownership in the community, and ensure that current residents have the resources to buy housing from absentee landlords. Displacement would be diminished and neighborhood stability would increase.

104 The proposed rent control plan would likely survive a Fifth Amendment challenge, as the Supreme Court has stated that a diminution in property value is insufficient to sustain a takings action. See Penn Cent. Transp. Co. v. New York City, 438 U.S. 104, 131 (1978). See also Elorza, supra note 97, at 62.

105 The mission, purpose, and scope of the city’s Housing Trust Fund has been a contentious political issue since its inception. See Greg Smith, Council Seeks to Limit Use of Housing Trust Fund, PROVIDENCE J., Sept. 22, 2006, at D1.

106 Interview with Anonymous Community Development Corporation Director (Aug. 24, 2007) (on file with the author).
VII. CONCLUSION

Most people involved in the gentrification debate agree that economic development in low-income neighborhoods is crucial. The question remains how that goal can be achieved. Gentrification supporters believe that development is best catalyzed by encouraging investment and redevelopment in low-income neighborhoods. On the other hand, gentrification opponents prefer city governments to invest in low-income communities in order to create a home-grown middle class. Despite disagreement, there is a third way, one that takes advantage of the fact that blighted urban cores are often littered with abandoned industrial and factory buildings. This third way adds housing units to the market and slowly chips away at high rates of absentee landlordism and the resulting concentrations of poverty. The Olneyville experience suggests that city governments should consider using tax incentives to help rehabilitate industrial buildings for residential living. Linked to these incentives should be rent control policies targeting absentee landlords and an inclusionary zoning policy creating financial incentives for local renters to become homeowners. This basket of housing policies—including outside investment and a stimulus for current residents—just may be the right mix of government policies to help reinvigorate the possibility of truly multiracial and mixed-income neighborhoods, neighborhoods where the American Dream can come one step closer to reality.